



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

May 20, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIVE-YEAR LEASE – DEPARTMENT OF PUBLIC SOCIAL SERVICES
2200 HUMBOLDT STREET, LOS ANGELES
(FIRST DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is for a five-year lease for 23,655 rentable square feet of office space for the ongoing Department of Public Social Services (DPSS) operation of the East Los Angeles General Relief Opportunities for Work (GROW) program.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the project is exempt from California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board and Section 15061 (b) (3) of the State CEQA Guidelines.
2. Approve and instruct the Chair to sign the five-year lease with Edward G. Vierheilig and Jean A. Vierheilig (Lessor) for the occupancy of 23,655 rentable square feet of office space for DPSS at 2200 Humboldt Street, for a maximum first year cost of \$105,028. The rental costs are 92 percent funded by State and Federal subvention.
3. Authorize the Chief Executive Office (CEO) and DPSS to implement the project. The lease will be effective upon approval by your Board.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

DPSS has been at this location since 1970 and currently operates the GROW program as part of the Welfare-to-Work program. The recommended action will allow DPSS to continue occupancy at this facility for an additional five years.

The facility provides the needed classroom and administrative space for GROW Orientation and Job Skills Preparation Classes (JSPC) enabling DPSS to continue teaching basic employment skills under this program. GROW is a direct service program offering assistance to employable General Relief participants in finding employment. The program offers classes in job preparation, interviewing techniques, application processing, and grooming. Additionally, case managers work and interview participants at their respective workstations. On average, approximately 1,200 GROW participants from the East Los Angeles area are assisted at the facility on a monthly basis.

The facility also serves as off-site temporary, mandatory archival file retention space for personnel and caseload record storage, as well as file storage for the department's financial and fiscal sections. In addition, the facility houses ten co-located staff from the Office of Education, Chicano Services and the Department of Mental Health to provide mandated supportive services to participants.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we provide organizational effectiveness and ensure that service delivery systems are efficient, effective, and goal oriented (Goal 3) and that we strengthen the County's fiscal capacity (Goal 4). In this case, we are housing a subvented program with appropriate workspace for DPSS in leased space as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed lease will provide DPSS the use of 23,655 rentable square feet of office space at an initial monthly base rent of \$8,752.33, or \$105,028 annually, plus taxes, maintenance, and utilities, which the County will pay separately.

| 2200 HUMBOLDT ST., LOS ANGELES | EXISTING LEASE | PROPOSED LEASE | CHANGE |
|------------------------------------|---|--|----------------------------------|
| Area | 23,655 rentable sq. ft. | 23,655 rentable sq. ft. | None |
| Term | Five years 8/20/2002 - 8/19/2007 | Five years upon adoption | Additional five years |
| Annual Base Rent | \$102,000 (\$4.31/sq. ft.) | \$105,028 (\$4.44/sq. ft.) | +\$3,029 (\$.13/sq. ft.) |
| Cancellation | Anytime after 24 months upon 60 days notice | Anytime after 48 months upon 90 days notice | +24 months +30 days |
| Parking (Included in Base Rent) | 54 exclusive spaces | 54 exclusive spaces | None |
| Option to Renew | None | Three years, upon 90 days notice | + three years |
| Rental Adjustment | \$.24 per sq. ft. per year at the 30 th month | \$1.44 per sq. ft. per year at the 25 th month | +\$1.20 per sq. ft. -5 months |

Sufficient funding for the rental costs of the proposed lease is included in the 2007-08 Rent Expense budget and will be billed back to the department. DPSS has sufficient funding in its 2007-08 operating budget to cover the projected lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

DPSS has been at this location since 1970. The proposed five-year lease provides 23,655 square feet of office and training areas for GROW participants, as well as necessary storage capacity, and 54 parking spaces. In addition, the lease contains the following provisions:

- The term commences upon Board approval and ends five years thereafter.
- There are no tenant improvements or other costs provided in the lease.
- The Lease is split service with the County responsible for the taxes, interior maintenance, and utilities expense. Lessor is responsible for maintenance of the basic structure.
- A cancellation provision allowing the County to cancel at anytime after four years upon 90 days prior written notice.

- A one-time monthly base rental adjustment of \$.12 per square foot, or \$1.44 annually, commencing at the 25th month of the Lease.
- One three-year option to extend the lease with 90 days prior written notice.

CEO Real Estate staff conducted a survey within the project area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could suitably accommodate this requirement. Based upon said survey, staff has established that the base rental range for similar space is between \$21 and \$36 per square foot, per year on a full-service basis. Thus, the base annual rent of \$4.44 per square foot, plus estimated expenses of \$4.12 per square foot for a total of \$8.56 per square foot per year for the proposed lease represents a range at the low end of fair market value for the area.

The space requirement was approved for 8,394 rentable square feet. However, the proposed lease provides 23,655 rentable square feet because the proposed premises cannot be divided. The excess 15,261 rentable square feet is an increase of approximately 182 percent. The competitive market rate provides the most suitable and viable option available to the County to house this program in the service area. Attachment B shows County-owned or leased facilities in the proximity of the service area and there are no suitable County-owned or leased facilities available for the program.

The Department of Public Works has inspected this facility and found it suitable for County occupancy.

A child care center is not feasible for the department in the proposed lease premises.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CEO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1 of the Environmental document Reporting Procedures and Guidelines adopted by your Board, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed Lease will adequately provide the necessary office space for this County requirement. DPSS concurs with the proposed lease recommendation.

The Honorable Board of Supervisors
May 20, 2008
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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return four originals of the executed lease, two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
CEM:MAC:hd

Attachments (4)

c: County Counsel
Auditor-Controller
Department of Public Social Services
Internal Services Department

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
2200 HUMBOLDT STREET, LOS ANGELES
Asset Management Principles Compliance Form¹**

| | | | | |
|-----------|--|------------|-----------|------------|
| 1. | <u>Occupancy</u> | Yes | No | N/A |
| A | Does lease consolidate administrative functions? ² | | | X |
| B | Does lease co-locate with other functions to better serve clients? ² | | X | |
| C | Does this lease centralize business support functions? ² | | | X |
| D | Does this lease meet the guideline of 200 sq. ft of space per person? ² Ratio 1/576. Facility used for classroom training and limited case storage function. | | X | |
| 2. | <u>Capital</u> | | | |
| A | Is it a substantial net County cost (NCC) program? Space is subvented at 92%. | | X | |
| B | Is this a long term County program? | X | | |
| C | If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy? | | X | |
| D | If no, are there any suitable County-owned facilities available? | | X | |
| E | If yes, why is lease being recommended over occupancy in County-owned space? | | | X |
| F | Is Building Description Report attached as Attachment B? | X | | |
| G | Was build-to-suit or capital project considered? The space is available at a very competitive market rate. | | X | |
| 3. | <u>Portfolio Management</u> | | | |
| A | Did department utilize CEO Space Request Evaluation (SRE)? | X | | |
| B | Was the space need justified? | X | | |
| C | If a renewal lease, was co-location with other County departments considered? | | X | |
| D | Why was this program not co-located? | | | |
| | 1. ____ The program clientele requires a "stand alone" facility. | | | |
| | 2. <u>X</u> No suitable County occupied properties in project area. | | | |
| | 3. ____ No County-owned facilities available for the project. | | | |
| | 4. ____ Could not get City clearance or approval. | | | |
| | 5. ____ The Program is being co-located. | | | |
| E | Is lease a full service lease? ² Leasehold provides favorable economic incentive to continue operations at existing facility under present split-service terms and conditions. | | X | |
| F | Has growth projection been considered in space request? The space is adaptable to multiple uses (e.g., multiple classrooms, administrative, storage, etc.) | X | | |
| G | Has the Dept. of Public Works completed seismic review/approval? | X | | |
| | ¹ As approved by the Board of Supervisors 11/17/98 | | | |
| | ² If not, why not? | | | |

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
SPACE SEARCH FIVE-MILE RADIUS
FROM 2200 HUMBOLDT STREET, LOS ANGELES**

| UACO | Facility Name | Address | Gross SqFt | Net SqFt | Vacant Space | Ownership | Distance in Miles |
|------|---|--|---------------|-------------|-----------------|-----------|----------------------|
| 0181 | KENNETH HAHN HALL OF ADMINISTRATION | 500 W TEMPLE ST, LOS ANGELES 90012 | 958,090 | 592,835 | -- | OWNED | 3.5 |
| 0101 | HALL OF JUSTICE (NOT HABITABLE) | 211 W TEMPLE ST, LOS ANGELES 90012 | 570,811 | 306,487 | 306,487 | OWNED | 3.3 |
| 0156 | HALL OF RECORDS | 320 W TEMPLE ST, LOS ANGELES 90012 | 438,095 | 258,537 | -- | OWNED | 3.4 |
| 5456 | HEALTH SERVICES ADMINISTRATION BUILDING | 313 N FIGUEROA ST, LOS ANGELES 90012 | 221,359 | 134,851 | -- | OWNED | 3.3 |
| X015 | LOS ANGELES COUNTY LAW LIBRARY | 301 W 1ST ST, LOS ANGELES 90012 | 215,960 | 126,000 | -- | CONTRACT | 2.9 |
| 4946 | MED CTR-INTERNS & RESIDENTS BUILDING | 2020 ZONAL AVE, LOS ANGELES 90033 | 142,448 | 79,494 | -- | OWNED | 3.8 |
| C660 | DPSS-GAIN PROGRAM REG IV/ MEDI-CAL OUTSTATION | 2910 W BEVERLY BLVD, LOS ANGELES 90057 | 120,327 | 33,635 | -- | LEASED | 4.5 |
| A159 | DISTRICT ATTORNEY-FIGUEROA PLAZA | 201 N FIGUEROA ST, LOS ANGELES 90012 | 87,810 | 83,420 | -- | LEASED | 3.2 |
| 3102 | JUVENILE HALL-ADMINISTRATION BUILDING-4 | 1605 EASTLAKE AVE, LOS ANGELES 90033 | 75,907 | 33,945 | -- | OWNED | 3.8 |
| A360 | DPSS-METRO NORTH AP/ CALWORKS DISTRICT OFFICE | 2601 WILSHIRE BLVD, LOS ANGELES 90057 | 62,000 | 60,140 | -- | LEASED | 4.5 |
| 5546 | PH-CENTRAL PUBLIC HEALTH CENTER | 241 N FIGUEROA ST, LOS ANGELES 90012 | 60,924 | 34,748 | -- | OWNED | 3.2 |
| 1930 | EASTLAKE SALVAGE WAREHOUSE (CONDEMNED) | 1660 EASTLAKE AVE, LOS ANGELES 90033 | 52,697 | 45,186 | 45,186 | OWNED | 3.8 |
| 3100 | NORTHEAST JUVENILE JUSTICE CENTER BLDG-1 | 1601 EASTLAKE AVE, LOS ANGELES 90033 | 47,379 | 26,024 | -- | OWNED | 3.8 |
| B922 | DPSS-WILSHIRE SPECIAL DISTRICT OFFICE | 2415 W 6TH ST, LOS ANGELES 90057 | 46,228 | 42,065 | -- | LEASED | 4.3 |
| Y013 | DPSS-CIVIC CENTER DISTRICT/GROW CENTER OFFICE | 813 E 4TH PL, LOS ANGELES 90013 | 39,956 | 25,158 | -- | OWNED | 4.7 |
| 0144 | EL PUEBLO REDEVELOPMENT PROPERTY-OLD BRUNSWIG | 510 NEW HIGH ST, LOS ANGELES 90012 | 35,683 | 22,753 | 22,753 | OWNED | 2.6 |
| 0143 | EL PUEBLO REDEVELOPMENT PROPERTY-VICKREY BLDG | 501 N MAIN ST, LOS ANGELES 90012 | 34,350 | 29,710 | 29,710 | OWNED | 3.2 |
| 3155 | PERFORMING ARTS CTR-DE LISA BLDG/THE ANNEX | 301 N GRAND AVE, LOS ANGELES 90012 | 27,582 | 17,978 | -- | OWNED | 3.5 |
| C269 | DPSS-LINCOLN HEIGHTS WS DISTRICT OFFICE | 4077 N MISSION RD, LOS ANGELES 90032 | 26,000 | 18,575 | -- | LEASED | 3.1 |
| A429 | CAO-REAL ESTATE DIVISION/ SERVICE INTEGRATION | 222 S HILL ST, LOS ANGELES 90012 | 25,137 | 22,623 | -- | LEASED | 3.4 |
| 5260 | CORONER-ADMINISTRATION / INVESTIGATIONS BLDG | 1102 N MISSION RD, LOS ANGELES 90033 | 22,479 | 14,251 | -- | OWNED | 3.2 |
| 0808 | MED CTR-OLD ADMINISTRATION BUILDING (UNUSED) | 1100 N MISSION RD, LOS ANGELES 90033 | 18,651 | 11,430 | 11,430 | OWNED | 3.2 |
| Y356 | EL PUEBLO REDEVELOPMENT PROPERTY-GAS CO BLDG | 111 REPUBLIC ST, LOS ANGELES 90012 | 16,517 | 14,524 | 14,524 | OWNED | 3.2 |
| 0142 | EL PUEBLO REDEVELOPMENT PROPERTY-PLAZA HOUSE | 507 N MAIN ST, LOS ANGELES 90012 | 15,618 | 11,154 | 11,154 | OWNED | 3.2 |
| A627 | COUNTY COUNSEL - WORKER'S COMP/PROBATE | 350 S FIGUEROA AVE, LOS ANGELES 90071 | 14,832 | 14,090 | -- | LEASED | 3.3 |
| C863 | MED CTR-PATIENT FINANCIAL SERVICES OFFICE | 1910 N MAIN ST, LOS ANGELES 90031 | 13,300 | 8,919 | -- | LEASED | 1.7 |
| T542 | MED CTR-PATIENT FINANCIAL SERVICES T-5 | 1200 N STATE ST, LOS ANGELES 90033 | 10,512 | 7,872 | -- | OWNED | 3.6 |
| 4799 | PW CENTRAL YARD-DIVISION ADMINISTRATION | 1525 ALCAZAR ST, LOS ANGELES 90033 | 10,438 | 7,224 | -- | OWNED | 3.9 |
| A632 | PUBLIC DEFENDER-PIAS ET. AL. | 312 S HILL ST, LOS ANGELES 90012 | 9,782 | 9,293 | -- | LEASED | 3.5 |
| C110 | MED CTR-EXPENDITURE MANAGEMENT | 2064 MARENGO ST, LOS ANGELES 90033 | 9,602 | 7,010 | -- | LEASED | 3.8 |

COUNTY OF LOS ANGELES

CHIEF EXECUTIVE OFFICE

LEASE AGREEMENT

DEPARTMENT: PUBLIC SOCIAL SERVICES, as Tenant

LANDLORD: EDWARD G. VIERHEILIG AND JEAN A. VIERHEILIG

2200 North Humboldt Street

Los Angeles, California

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COUNTY OF LOS ANGELES

CHIEF EXECUTIVE OFFICE

LEASE AGREEMENT

THIS LEASE is entered into as of the _____ day of _____, 200_ between EDWARD G. VIERHEILIG AND JEAN A. VIERHEILIG (collectively "Landlord"), and COUNTY OF LOS ANGELES, a body politic and corporate ("Tenant" or "County").

Landlord and Tenant agree:

1. BASIC LEASE INFORMATION. The following terms as used herein shall have the meanings provided in this Section, unless otherwise specifically modified by provisions of this Lease.

1.1 Defined Terms Relating to the Lease:

(a) Landlord's Address for Notice:

Edward G. Vierheilig
10114 Empyrean Way, #303
Los Angeles, CA 90067

Jean A. Vierheilig
620 North Wilcox Avenue
Los Angeles, California 90004

(b) Tenant's Address for Notice:

Board of Supervisors
Kenneth Hahn Hall of Administration,
Room 383
500 West Temple Street
Los Angeles, California 90012

With a copy to:
Chief Executive Office
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Director of Real Estate
Fax Number: (213) 974-4164

(c) Premises:

Approximately 23,655 rentable square feet in the Building (defined below) as shown on Exhibit A attached hereto.

(d) Building:

The building located at 2200 North Humboldt Street, Los Angeles, California which is

located upon the real property described more particularly in Exhibit B attached hereto (the "Property")

- (e) Term: Five years commencing upon Board Approval and Tenant's Acceptance of the Premises as defined in Section 4(a) (the "Commencement Date"); and terminating at midnight on the day before the fifth anniversary of the Commencement Date (the "Termination Date"), subject to earlier termination by Tenant as provided herein. The phrase "Term of this Lease" or "the Term hereof" as used in this Lease, or words of similar import, shall refer to the initial Term of this Lease together with any additional Extension Term for which an option has been validly exercised.
- (f) Projected Commencement Date: May 20, 2008
- (g) Commencement Date: See section 4(a)
- (h) Irrevocable Offer Expiration Date: June 20, 2008
- (i) Basic Rent: \$8,752.35 per month (which is based upon a rental rate of \$0.37 per rentable square foot (adjustable only as provided in Section 2(b) hereof.)
- (j) Early Termination Notice Date: At or after the last day of the 48th full calendar month of the Term.
- (k) Rentable Square Feet in the Premises: 23,655
- (l) Use: General office use or for any other lawful purposes not incompatible with other uses in the Building.
- (m) Initial Departmental Use: Public Social Services
- (n) Parking Spaces: 54
- (o) Normal Working Hours: 7:00 a.m. to 7:00 p.m., Monday through Friday and 9:00 a.m. to 2:00 p.m. Saturday, except New Year's Day, President's Day, Memorial

Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day (on the days such holidays are generally observed) and such other holidays as are generally recognized by the County of Los Angeles, California.

(p) Asbestos Report:

Not Applicable

1.2 INTENTIONALLY OMITTED

1.3 Exhibits to Lease:

Exhibit A - Floor Plan of Premises
Exhibit B- Legal Description of Property
Exhibit C - Commencement Date
Memorandum and Confirmation of Lease Terms
Exhibit D - HVAC Standards
Exhibit E - Not Applicable

1.4 Landlord's Work Letter:

Not Applicable

1.5 Supplemental Lease

Documents: (Delivered to Landlord and made a part hereof by this reference.):

Document I: Subordination, Non-disturbance and Attornment Agreement
Document II: Tenant Estoppel Certificate
Document III: Community Business Enterprises Form
Document IV: Memorandum of Lease
Document V: Request for Notice

2. PREMISES

(a) Landlord does hereby lease to Tenant, and Tenant does hereby lease from Landlord, upon the terms and conditions herein set forth, the Premises described in Section 1 and Exhibit A attached hereto.

(b) Tenant shall have the right within 90 days of approval of this Lease by the Board of Supervisors of the County of Los Angeles ("Board of Supervisors") to field-measure and verify the exact footage of the Premises and/or the Building. All measurements shall be taken in accordance with the methods of measuring rentable/usable area as described in the Standard Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996, as promulgated by the Building Owners and Management Association ("BOMA") International except that no penthouse mechanical room space shall be included in the measurement. Should this measurement be less than the square footage stated above, Tenant shall have the right to adjust such square footage and reduce the Basic Rent in Section 1 accomplished by the mutual execution of a memorandum of understanding between the Landlord and the Tenant. Landlord acknowledges the space has been marketed at the above-indicated rental amount and in the event of subsequent physical measurements, Landlord agrees there will be no

adjustment made to either the square footage or the Basic Rent in the event the measured square footage exceeds the amount represented by Landlord. Should Landlord and Tenant not agree with respect to the results of the measurement conducted pursuant to this subsection (b) Landlord shall appoint an independent firm or person who is experienced in making such measurements whose determination with respect to which measurement is correct shall be final and binding upon the parties. Landlord and Tenant shall share equally in the fees of such firm.

3. COMMON AREAS Tenant may use the following areas ("Common Areas") in common with Landlord and other tenants of the Building: the entrances, lobbies and other public areas of the Building, walkways, landscaped areas, driveways necessary for access to the Premises, parking areas and other common facilities designated by Landlord from time to time for common use of all tenants of the Building. Tenant shall comply with all reasonable, non-discriminatory rules and regulations regarding the use of the Common Areas established by Landlord.

4. COMMENCEMENT AND EXPIRATION DATES

(a) Term. The term of this Lease shall commence upon the Commencement Date and terminate on the Termination Date. Within 30 days of determining the Commencement Date, Landlord and Tenant shall acknowledge in writing the Commencement Date by executing the Commencement Date Memorandum and Confirmation of Lease Terms attached as Exhibit C. The Commencement Date shall be the date of Tenant's Acceptance of the Premises. The term "Tenant's Acceptance of the Premises" as used in this Lease shall mean the date upon which the Premises are Substantially Complete, Tenant has inspected the Premises and Tenant has accepted the Premises. The term "Substantially Complete" or "Substantial Completion" as used in this Lease shall mean compliance with all of the following: (1) the shell and core of the Building are complete and in compliance with all applicable laws and codes, and all of the building systems are operational to the extent necessary to service the Premises; (2) Landlord has sufficiently completed all the work required to be performed by Landlord in accordance with this Lease, including the installation of modular furniture systems, if so required (except minor punch list items which Landlord shall thereafter promptly complete), such that Tenant can conduct normal business operations from the Premises; (3) Landlord has obtained a certificate of occupancy for the Building, or a temporary certificate of occupancy for that portion of the Building that includes all of the Premises, or its equivalent; (4) Tenant has been provided with the number of parking privileges and spaces to which it is entitled under this Lease; and (5) if Landlord is responsible for the installation of telecommunication systems, then such systems shall be completely operational.

(b) Termination Right. If the Commencement Date has not occurred within 60 days from the Projected Commencement Date, subject to Tenant Delays or Force Majeure Delays as provided in Landlord's Work Letter, which has been executed concurrently herewith, Tenant may thereafter, at any time before the Commencement Date occurs, terminate this Lease effective upon the giving of written notice to Landlord and the parties shall have no further obligations to one another hereunder.

(c) Early Possession. Not Applicable.

(d) Early Termination. Tenant shall have the right to terminate this Lease at any time after the Early Termination Notice Date, as defined in Section 1, by giving Landlord not less than 90 days prior written notice executed by the Chief Executive Officer of Tenant.

5. RENT. Tenant shall pay Landlord the Basic Rent stated in Section 1 during the Term hereof within 15 days after a claim therefore for each such month has been filed by Landlord with the Auditor of the County of Los Angeles prior to the first day of each month. Basic Rent for any partial month shall be prorated in proportion to the number of days in such month. Basic Rent shall be adjusted on each yearly anniversary of the Commencement date in accordance with the following schedule:

| <u>Months</u> | <u>Rate/Square foot</u> | <u>Monthly</u> |
|---------------|-------------------------|----------------|
| 1-24 | \$0.37 | \$ 8,752.35 |
| 25-60 | \$0.49 | \$11,590.95 |

6. USES. The Premises are to be used only for the uses set forth in Section 1 and for no other business or purpose; however, Landlord shall not unreasonably withhold its consent to a change of use.

7. HOLDOVER. If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term of this Lease, such occupancy shall be a tenancy which is terminable only upon 90 days written notice from Landlord or 30 days written notice from the Chief Executive Officer of Tenant at the last monthly Basic Rent payable under this Lease (as such Basic Rent may be adjusted from time to time in accordance with this Lease) plus all other charges payable under this Lease, and subject to all of the terms, covenants and conditions of this Lease.

8. COMPLIANCE WITH LAW. Tenant shall, at Tenant's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect during the term hereof, regulating the use, occupancy or improvement of the Premises by Tenant. Landlord, not Tenant, shall, at its sole cost, at all times cause the Premises and the Building to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect and binding upon Tenant or Landlord during the term hereof, including without limitation, the Americans with Disabilities Act, except to the extent such compliance is made necessary as a result of Tenant's particular use of or alterations or improvements to the Premises.

9. DAMAGE OR DESTRUCTION

(a) Damage. In the event any portion of the Premises is damaged by fire or any other cause rendering the Premises totally or partially inaccessible or unusable and the Premises may be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than 180 days, then Landlord shall promptly, at Landlord's expense, repair such damage and this Lease shall continue in full force and effect. If all or any portion of the Premises shall be made

untenantable by fire or other casualty, Landlord shall immediately secure the area to prevent injury to persons and/or vandalism to the improvements. Landlord shall promptly, but in any event within ten days, cause an architect or general contractor selected by Landlord to provide Landlord and Tenant with a written estimate of the amount of time required to substantially complete the repair and restoration of the Premises and make the Premises tenantable again using standard working methods. The failure to do so shall be a material default hereunder. Basic Rent shall abate to the extent that the Premises are unusable by Tenant. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) with respect to any partial or total destruction of the Premises.

(b) Tenant Termination Right. In the event any portion of the Premises is damaged by fire or any other cause rendering the Premises totally or partially inaccessible or unusable and the Premises will not be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than 180 days for any reason, then Tenant may terminate this Lease by giving written notice within ten days after notice from Landlord specifying such time period of repair; and this Lease shall terminate and the Basic Rent shall be abated from the date the Premises became untenantable. In the event that Tenant does not elect to terminate this Lease, Landlord shall promptly commence and diligently prosecute to completion the repairs to the Building or Premises.

(c) Damage In Last Year. Notwithstanding the foregoing provisions, if any material destruction to the Premises occurs during the last year of the Term, either Landlord or Tenant may terminate this Lease by giving notice to the other not more than 30 days after such destruction, in which case (a) Landlord shall have no obligation to restore the Premises, (b) Landlord may retain all insurance proceeds relating to such destruction, and (c) this Lease shall terminate as of the date which is 30 days after such written notice of termination.

(d) Default By Landlord. If Landlord is required to repair and restore the Premises as provided for in this Section and Landlord should fail to thereafter pursue said repair and restoration work with reasonable diligence to completion, Tenant may (a) declare a default hereunder or (b) perform or cause to be performed the restoration work and deduct the cost thereof plus interest thereon at ten percent (10%) per annum, from the Basic Rent next due as a charge against the Landlord.

10. REPAIRS AND MAINTENANCE

(a) Landlord Representations. Landlord represents to Tenant that (i) the Premises, the Building and all Common Areas, (including electrical, heating, ventilating and air conditioning ("HVAC"), mechanical, plumbing, gas and fire/life safety systems in the Building and similar building service systems) comply with all current laws, codes, and ordinances, including use the Americans With Disabilities Act in effect at the time that Tenant originally took possession; and are in reasonable good working order and condition; (ii) the Building and Premises comply with all covenants, conditions, restrictions and underwriter's requirements; (iii) the Premises, Building and Common

Areas are free of the presence of any Hazardous Materials (as hereinafter defined); and (iv) Landlord has not received any notice from any governmental agency that the Building or the Premises are in violation of any law or regulation. Landlord represents, based upon a professional inspection of the Premises and the Building and the Asbestos Report that the Premises and the Building contain no asbestos containing materials (other than as may be reflected in the Asbestos Report). Landlord shall, prior to Tenant's occupancy, abate, at Landlord's sole cost and expense, all asbestos containing materials to the extent required by law and provide Tenant with an updated report from a licensed California Asbestos contractor to that effect.

(b) Landlord Obligations. Landlord shall keep and maintain in good repair and working order and promptly make repairs to and perform maintenance upon and replace as needed: (i) the structural elements of the Building, including without limitation, all permanent exterior and interior walls, floors and ceilings, roof, concealed plumbing, stairways, concealed electrical systems and telephone intrabuilding network cable; (ii) mechanical (including HVAC), electrical, plumbing and fire/life safety systems serving the Building; (iii) the Common Areas; (iv) exterior windows of the Building; and (v) elevators serving the Building. Landlord, at its sole cost and expense, shall also perform all maintenance and repairs to the Premises, Tenant's obligations excepted, and shall keep the Premises in good condition and repair, reasonable wear and tear excepted

(c) Tenant Obligations.

Without limiting Landlord's Obligations, Tenant shall, at Tenant's sole expense, be responsible for the cost of repairing any area damaged by Tenant or Tenant's agents, employees, invitees and visitors and the repair of low voltage electronic, phone and data cabling and related equipment that is installed by or for the exclusive benefit of Tenant. Furthermore, Lessee agrees to keep in good repair and maintain at its own expense heating, ventilating and air conditioning system and fire sprinklers, if applicable, fire extinguishers, elevators, exposed plumbing, interior and exterior repainting, Venetian blinds, plate glass and windows, and other interior repairs, and to return premises to Lessor in as good condition as when rented, ordinary wear and tear excepted. All repairs and replacements shall: (a) be made and performed by contractors or mechanics approved by Tenant; which consent shall not be unreasonably withheld or delayed; (b) be at least equal in quality, value and utility to the original work or installation; and (c) be in accordance with all laws. The parties hereto specifically agree that the obligations of the repair and maintenance of the items set forth herein, and in the event said items wear out or fail beyond repair as a result of ordinary wear and tear, damage by earthquake, fire or the elements, and/or other public disaster or casualty, the Lessor shall replace said items at its own expense, subject to the provisions of Paragraph 7.

(d) Tenant's Right to Repair. If Tenant provides written notice (or oral notice in the event of an emergency such as damage or destruction to or of any portion of the Building structure and/or the Building systems and/or anything that could cause material disruption to Tenant's business) to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance, and Landlord fails to provide such action within a reasonable period of time, given the circumstances,

after the giving of such notice, but in any event not later than five business days after the giving of such notice, then Tenant may proceed to take the required action (provided, however, that no such notice shall be required in the event of an emergency which threatens life or where there is imminent danger to property or a possibility that a failure to take immediate action could cause a material disruption in Tenant's normal and customary business activities). Tenant shall have access to the Building to the extent necessary to perform the work contemplated by this provision. If such action was required under the terms of this Lease to have been taken by Landlord and was not taken by Landlord within such period (unless such notice was not required as provided above), and Tenant took such required action, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's reasonable costs and expenses in having taken such action plus interest thereon at ten percent (10%) per annum. If not reimbursed by Landlord within ten days, Tenant shall be entitled to deduct from Basic Rent payable by Tenant under this Lease the amount set forth in its invoice for such work. The remedies provided in this Section are in addition to the remedies provided in Section 14.

11. SERVICES AND UTILITIES

Landlord shall furnish the following services and utilities to the Premises which utilities have or will be separately metered by the Landlord and shall be paid for by the Tenant:

(a) Heating, Ventilation and Air Conditioning. Landlord shall furnish HVAC, during Normal Working Hours in amounts required for the use and occupancy of the Premises for normal office purposes to a standard comparable to other office buildings and not less than the standard set forth in Exhibit D attached hereto.

(b) Electricity. Landlord shall furnish to the Premises the amount of electric current provided for in the Working Drawings (if applicable) but in any event not less than seven watts of electric current (connected load) per square foot of Rentable Square Feet in the Premises, for power and lighting and electric current for HVAC, and Landlord shall provide the existing or new transformers or subpanels on each floor of the Premises necessary for Tenant to utilize such capacity in the Premises.

(c) Elevators. Landlord shall furnish freight and passenger elevator services to the Premises during Normal Working Hours. During all other hours, Landlord shall furnish passenger elevator cab service in the elevator bank serving the Premises on an as needed basis, and, by prior arrangement with Landlord's building manager, freight elevator service.

(d) Water. Landlord shall make available water for normal lavatory and potable water meeting all applicable governmental standards for drinking purposes in the Premises.

(e) Janitorial. Not Applicable

(f) Access. Landlord shall furnish to Tenant's employees and agents access to the Building, Premises and Common Areas on a seven day per week, 24 hour

per day basis, subject to compliance with such reasonable security measures as shall from time to time be in effect for the Building.

12. LANDLORD ACCESS. Tenant shall permit Landlord and its agents to enter the Premises upon prior written notice for the purpose of inspecting the Premises for any reasonable purpose. If Landlord temporarily closes any portion of the Building or Premises, Basic Rent shall be prorated based upon the percentage of the Premises or Building rendered untenable and not used by Tenant. Landlord shall have the right at any and all times to enter the Premises in the event of an emergency.

13. TENANT DEFAULT

(a) Default. The occurrence of any one or more of the following events (a "Tenant Default") shall constitute a material default and breach of this Lease by Tenant:

(i) The failure by Tenant to make any payment of Basic Rent or any other payment required to be made by Tenant hereunder (except to the extent an offset is expressly permitted hereunder), as and when due and if the failure continues for a period of ten days after written notice to Tenant;

(ii) The failure by Tenant to observe or perform any of the other covenants, conditions or provisions of this Lease, where such failure shall continue for a period of 30 days after written notice from Landlord specifying in detail the nature of the Tenant Default; provided, however, if more than 30 days are reasonably required for its cure then Tenant shall not be deemed to be in Tenant Default if Tenant commences such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

(b) Termination. Tenant agrees that if a Tenant Default should occur and should not be cured within the time periods set forth above, it shall be lawful for Landlord to terminate this Lease upon the giving of written notice to Tenant. In addition thereto, Landlord shall have such other rights or remedies as may be provided by law.

(c) No Effect on Indemnity. Nothing in this Article shall be deemed to affect either Landlord or Tenant's right to indemnification under any indemnification clause or clauses set forth in this Lease.

14. LANDLORD DEFAULT

(a) Remedies. In addition to the provisions for Landlord's default provided by Sections 9(d), 10(c) 19 and 20(b), Landlord shall be in default ("Landlord Default") in the performance of any obligation required to be performed by Landlord under this Lease if Landlord has failed to perform such obligation within five days after the giving of written notice with respect thereto by Tenant (which notice shall be, if appropriate, the same notice given under Section 10(c)) ; provided, however, that if the nature of the Landlord Default is such that the same cannot reasonably be cured within such five day period, Landlord shall not be deemed to be in Landlord Default if Landlord shall within such period commence such cure and thereafter diligently prosecute the same

to completion. If the Landlord Default is of such a nature that it materially and substantially interferes with Tenant's occupancy and use of the Premises and if such Landlord Default is not cured within the foregoing cure period, then Tenant shall have the right, at its option, with or without further notice or demand of any kind to Landlord or any other person, to any one or more of the following described remedies in addition to all other rights and remedies provided at law or in equity or elsewhere herein: (i) to remedy such Landlord Default or breach and deduct the costs thereof (including but not limited to attorneys' fees) plus interest at the rate of ten (10%) per annum from the installments of Basic Rent next falling due; (ii) to pursue the remedy of specific performance; (iii) to seek money damages for loss arising from Landlord's failure to discharge its obligations under this Lease or offset such damages against Basic Rent next coming due; and/or (iv) to terminate this Lease.

(b) Waiver. Nothing herein contained shall relieve Landlord from its duty to effect the repair, replacement, correction or maintenance required to restore any affected services, or to perform any other obligations to the standard prescribed in this Lease, nor shall this Section be construed to obligate Tenant to undertake any such work.

(c) Emergency. Notwithstanding the foregoing cure period, Tenant may cure any default without notice where the failure promptly to cure such default would, in the reasonable opinion of Tenant, create or allow to persist an emergency condition or materially and adversely affect the operation of Tenant's business in the Premises.

15. ASSIGNMENT AND SUBLETTING. Tenant may assign, mortgage, encumber or otherwise transfer this Lease or sublet the whole or any part of the Premises without first obtaining Landlord's prior consent: provided, however, that no such assignment, subletting or other transfer shall relieve Tenant of any liability under this Lease unless Landlord has given its written consent thereto, which Landlord shall not unreasonably withhold if the assignee has a financial condition which is reasonably sufficient for it to be responsible for all future obligations under this Lease.

16. ALTERATIONS AND ADDITIONS

(a) Landlord Consent. Tenant shall not make any structural alterations, improvements, additions, or utility installations in or about the Premises (collectively "Alterations") without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. However, Landlord's consent shall not be required for any Alteration that satisfies all of the following criteria: (1) complies with all Laws; (2) is not visible from the exterior of the Premises or Building; (3) will not materially affect the systems or structure of the Building; and (4) does not unreasonably interfere with the normal and customary business office operations of other tenants in the Building. If Landlord fails to respond in writing within 30 days of such request, Landlord shall be deemed to approve the Alterations.

(b) End of Term. Any Alterations not removed by Tenant shall become the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Term.

17. CONDEMNATION

(a) Controlling Terms. If during the Term, or during the period of time between the execution of this Lease and the Commencement Date, there is any taking of all or any part of the Premises or any interest in this Lease by Condemnation (as defined below), this Section shall determine the rights and obligations of Tenant and Landlord. "Condemnation" shall mean the exercise of any governmental power to take title to any portion of the Premises, whether by legal proceedings or otherwise, by a Condemnor (as defined below) or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of a Condemnor's exercise of such power or while legal proceedings are pending for the exercise of such power. "Condemnor" shall mean any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

(b) Total Taking. If the Premises are totally taken by Condemnation, this Lease shall terminate on the date the Condemnor has a right to possession of the Premises (the "Date of Taking").

(c) Partial Taking. If any portion, but not all, of the Premises is taken by Condemnation, this Lease shall remain in effect, except that Tenant may elect to terminate this Lease if, in Tenant's reasonable judgment, the remaining portion of the Premises (including the space available for parking) is rendered unsuitable for Tenant's continued use of the Premises. If Tenant elects to so terminate this Lease, Tenant must exercise its right to terminate by giving notice to Landlord within 30 days after the date that the nature and the extent of the Condemnation have been determined (the "Determination Date"), which notice shall set forth the date of termination. Such termination date shall not be earlier than 30 days nor later than 90 days after Tenant has notified Landlord of its election to terminate; except that this Lease shall terminate on the Date of Taking if the Date of Taking falls on a date before the date of termination as designated by Tenant. If Tenant does not so notify Landlord within 30 days after the Determination Date, all obligations of Tenant under this Lease shall remain in effect, except that Basic Rent shall be equitably abated.

(d) Restoration. Notwithstanding the preceding paragraph, if, within 30 days after the Determination Date, Landlord notifies Tenant that Landlord at its cost will add to the remaining Premises so that the area of the Premises and the space available for parking, will be substantially the same after the Date of Taking as they were before the Date of Taking, and Landlord commences the restoration promptly and, subject to reasonable allowance for delays that are not caused by Landlord, completes it within 90 days after Landlord so notifies Tenant, this Lease shall continue in effect. All obligations of Tenant under this Lease shall remain in effect, except that Basic Rent shall be equitably abated or reduced during the period from the Date of Taking until the completion of such restoration.

(e) Award. The Award (as defined below) shall be divided between Landlord and Tenant as their respective interests may appear. "Award" shall mean all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation of the Premises.

(f) Waiver of Statute. Landlord and Tenant hereby waive the provision of California Code of Civil Procedure Section 1265.130 allowing Landlord or Tenant to petition the superior court to terminate this Lease in the event of a partial taking of the Premises.

18. INDEMNIFICATION

(a) Tenant's Indemnity. Tenant shall indemnify, defend and hold Landlord harmless from and against all loss, cost and expense, including attorneys' fees, arising from any injury or damage to any person or property, occurring in or about the Building or Premises as a result of any negligent act, omission or willful misconduct of Tenant or its employees, or arising from any breach or default under this Lease by Tenant. The foregoing provisions shall not be construed to make Tenant responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the negligence or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees or invitees.

(b) Landlord's Indemnity. Landlord shall indemnify, defend and hold Tenant harmless from and against all loss, cost and expense, including attorneys' fees, arising from any injury or damage to any person or property, occurring in or about the Building or Premises as a result of any negligent act, omission or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees, guests, or visitors, or arising from any breach or default under this Lease by Landlord. The foregoing provisions shall not be construed to make Landlord responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the negligence or willful misconduct of Tenant, or its officers, contractors, licensees, agents, employees or invitees.

19. INSURANCE

(a) Landlord's Insurance. During the term of this Lease, Landlord shall maintain the following insurance:

(i) Commercial property insurance which shall (1) cover damage to Landlord's property, including improvements and betterments, from perils covered by the causes-of-loss special form (ISO form CP 10 30), and include ordinance or law coverage (and coverage against acts of terrorism to the extent such coverage is reasonably available and priced at commercially reasonable rates); and (2) be written for full replacement cost of the property, with a deductible of no greater than 5% of the property value. Landlord shall carry insurance on any furniture and furnishings which will become the property of Tenant at the expiration of the Term and on all modular furniture installed in the Premises. Insurance proceeds shall be payable to Landlord and Tenant as their interests may appear and be utilized for repair and restoration of the Premises.

(ii) General liability insurance (written on ISO policy form CG 00 01 or its equivalent) with limits of not less than the following: (1) per occurrence and

general aggregate amount of \$2,000,000; (2) products/completed operations aggregate of \$2,000,000; and (3) personal and advertising injury of \$1,000,000.

(iii) Failure by Landlord to maintain the insurance required by this Section and deliver evidence thereof as required by this Lease or to use any insurance proceeds to timely repair and restore the Premises shall constitute a material breach of this Lease.

(b) Insurance Requirements. All insurance policies required to be maintained by Landlord under this Lease shall be issued by insurance companies which have a Best's Rating of "AVII" or better and which are qualified to do business in the State of California. All liability and property damage and other casualty policies of Tenant shall be written as primary policies, not contributing with, and not in excess of coverage which Landlord may carry.

(c) Certificates. Landlord shall deliver to Tenant on the Commencement Date of this Lease and thereafter at least 15 days prior to expiration of any insurance required to be carried hereunder, certificates of insurance evidencing this coverage with limits not less than those specified above. Certificates must document that each party has named the other as an additional insured (or its equivalent) on its general liability and property insurance policy, and that Tenant has been named a loss payee on Landlord's commercial property insurance policy, as required. Further, all certificates shall expressly provide that no less than 30 days' prior written notice shall be given to Tenant in the event of material change to, expiration or cancellation of the coverages or policies evidenced by the certificates.

(d) Waiver of Subrogation. Landlord and Tenant each hereby waive their rights of subrogation against one another to the extent it is covered by the property insurance policies required to be carried hereunder. Landlord shall cause its insurance carriers to consent to the foregoing waiver of rights of subrogation against Tenant.

20. TAXES

Lessee shall reimburse Lessor for real property taxes in accordance with the following procedures. Reimbursement shall be made by Lessee upon submission by Lessor of proof of payment of said taxes together with a claim for reimbursement and the calculations upon which the claim is based within 60 days after payments of said taxes. In no event will Lessee be liable to reimburse Lessor for (a) any increase in property taxes which is attributable to any alterations or improvements to the Premises which are not authorized or accomplished at the request of Lessee; or (b) taxes for any period in which Lessee is not in occupancy, prorated on a daily basis, or (c) revaluation of the property due to change in ownership.

21. PARKING

(a) Tenant's Rights. Tenant shall have the right to the number of exclusive reserved parking stalls set forth in Section 1 without charge for the Term of this Lease. No tandem parking shall be permitted and Tenant shall be entitled to full in/out

privileges. Tenant's parking rights shall be subject to reasonable parking rules and regulations adopted by Landlord from time to time, provided that such procedures shall be uniformly applied to all tenants. Tenant acknowledges that all other parking spaces are not for the exclusive use of Tenant, rather, all such parking spaces are to be used on a non-exclusive, first-come, first-served basis by Tenant and other tenants, occupants, licensees, invitees and permittees of the Building.

(b) Remedies. Landlord acknowledges that it is a material term of this Lease that Tenant receive all of the Parking Spaces to which it is entitled under this Lease for the entire Term of this Lease and that it would be impracticable and extremely difficult to fix the actual damages for a breach of such provisions. It is therefore agreed that if, for any reason whatsoever, a material number of the Parking Spaces required above are not available to Tenant, (in addition to the rights given to Tenant under Section 14 and Sections 9 and 17 in the event of casualty or condemnation) Tenant may (a) terminate this Lease by giving written notice of such termination to Landlord, which notice shall be effective thirty (30) days thereafter or (b) deduct from the Basic Rent thereafter accruing hereunder an amount each month equal to the Basic Rent times the percentage of Parking Spaces not so provided times 1.5 but such deduction from Basic Rent shall be not less than ten percent (10%) nor more than one hundred percent (100%).

22. ENVIRONMENTAL MATTERS

(a) Hazardous Materials. Tenant shall not cause nor permit, nor allow any of Tenant's employees, agents, customers, visitors, invitees, licensees, contractors, assignees or subtenants to cause or permit, any Hazardous Materials to be brought upon, stored, manufactured, generated, blended, handled, recycled, treated, disposed or used on, under or about the Premises, the Building or the Common Areas, except for routine office and janitorial supplies in usual and customary quantities stored, used and disposed of in accordance with all applicable Environmental Laws. As used herein, "Hazardous Materials" means any chemical, substance, material, controlled substance, object, condition, waste, living organism or combination thereof, whether solid, semi solid, liquid or gaseous, which is or may be hazardous to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness or other harmful or potentially harmful properties or effects, including, without limitation, molds, toxic levels of bacteria, tobacco smoke within the Premises, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), refrigerants (including those substances defined in the Environmental Protection Agency's "Refrigerant Recycling Rule," as amended from time to time) and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms or combinations thereof which are now or become in the future listed, defined or regulated in any manner by any Environmental Law based upon, directly or indirectly, such properties or effects. As used herein, "Environmental Laws" means any and all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future

which are or become applicable to Tenant, the Premises, the Building or the Common Areas.

(b) Landlord Indemnity. Landlord shall indemnify, protect, defend (by counsel acceptable to Tenant) and hold harmless Tenant from and against any and all claims, judgments, causes of action, damage, penalties, fine, taxes, costs, liabilities, losses and expenses arising at any time during or after the Term as a result (directly or indirectly) of or in connection with the presence of Hazardous Materials on, under or about the Premises, Building or Common Areas or other violation of laws relating to Hazardous Materials other than caused by Tenant. This indemnity shall include, without limitation, the cost of any required or necessary repair, cleanup or detoxification, and the preparation and implementation of any closure, monitoring or other required plans, as such action is required by local or state laws or any governmental agency. Landlord shall promptly deliver to Tenant a copy of any notice received from any governmental agency during the Term of this Lease concerning the presence of Hazardous Materials in the Building or the Premises. Landlord's obligations pursuant to the foregoing indemnity shall survive the expiration or termination of this Lease. A default by Landlord under this Section shall constitute a material default under this Lease.

23. ESTOPPEL CERTIFICATES. Tenant shall, within 30 days after written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement in the form of Document II in the Supplemental Lease Documents delivered to Landlord concurrently herewith (properly completed) but shall have no other obligation to deliver any other form of estoppel certificate. It is intended that any such statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or holder of any mortgage upon Landlord's interest in the Premises.

24. TENANT IMPROVEMENTS. Not Applicable.

25. LIENS. Tenant shall keep its interest in this Lease and the Premises free from any liens arising out of any work performed or materials ordered or obligations incurred by Tenant. Landlord shall keep its interest in this Lease and the Premises free from any liens which would impair the interest of Tenant hereunder and hereby indemnifies and holds Tenant harmless from any liability or loss from any such lien.

26. SUBORDINATION AND MORTGAGES

(a) Subordination and Non-Disturbance. Tenant agrees, at Landlord's option, to subordinate this Lease to the lien of any mortgages or deeds of trust now or hereafter in force against the Building; provided, however, Tenant's obligation to subordinate this Lease is expressly conditioned upon Tenant receiving a written agreement in the form of Document I in the Supplemental Lease Documents delivered to Landlord concurrently herewith and provided further that no such subordination shall affect any option to extend the Term of this Lease, right of first offer to lease additional premises, option to purchase or right of first offer to purchase the Property which may be included herein.

(b) Existing Deeds of Trust. The beneficiary under any existing deed of trust affecting the Building shall provide a written agreement to Tenant in the form of Document I in the Supplemental Lease Documents delivered to Landlord concurrently herewith within 30 days after the execution of this Lease.

(c) Request for Notice. Landlord acknowledges that Tenant intends to record a Request for Notice with respect to any mortgages or deeds of trust affecting the Property in the form of Document V in the Supplemental Lease Documents delivered to Landlord concurrently herewith.

(d) Notice of Default. If any mortgagee or beneficiary under a deed of trust affecting the Property gives written notice of its name and address to Tenant by registered mail requesting any such notice with reference to this Section, Tenant agrees to use its best efforts (but without liability for failure to do so) to give such mortgagee a copy of any notice of default served upon Landlord hereunder which could permit Tenant to terminate this Lease and an additional ten days within which to cure such default.

27. SURRENDER OF POSSESSION. Subject to casualty, at the expiration of the Term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Premises to Landlord in a "broom-clean" condition. Tenant may (but shall not be required to) remove, at its own expense, all fixtures, equipment and all other personal property placed or installed in or upon the Premises by Tenant, or under its authority (including any modular furniture).

28. SIGNAGE. Tenant shall be permitted to install at the Premises reasonably appropriate signs that conform with any and all applicable laws and ordinances.

29. QUIET ENJOYMENT. So long as Tenant is not in default hereunder, Tenant shall have the right to the quiet and peaceful enjoyment and possession of the Premises and the Common Areas during the Term of this Lease, subject to the terms and conditions of this Lease.

30. GENERAL

(a) Headings. Titles to Sections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(b) Successors and Assigns. All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon the Landlord and Tenant and their respective successors and assigns.

(c) Brokers. Landlord and Tenant each represent and warrant to each other that it has not engaged any broker, finder or other person who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Lease other than as disclosed to the other in writing and shall indemnify and hold harmless each other against any loss, cost, liability or expense incurred by the other party as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made in variance with this

representation. Tenant shall receive from Landlord or Landlord's broker, within ten days after the execution of this Lease, an amount equal to 50% of all commissions due to Landlord's broker as a result of the execution of this Lease.

(d) Entire Agreement. This Lease (and the Landlord's Work Letter and Supplemental Lease Documents) is the final and complete expression of Landlord and Tenant relating in any manner to the leasing, use and occupancy of the Premises, to Tenant's use of the Building and other matters set forth in this Lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by both Landlord and Tenant.

(e) Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions hereof shall nevertheless remain in full force and effect.

(f) Notices. All notices and communications to any party hereunder shall be in writing and shall be deemed properly given if delivered personally, sent by registered or certified mail, postage prepaid, or by a recognized overnight commercial messenger providing proof of delivery, facsimile (electronically confirmed) to Landlord's Address for Notice and Tenant's Address for Notice as set forth in Section 1. Any notice so given shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given.

(g) Governing Law and Forum. This Lease shall be governed by and construed in accordance with the internal laws of the State of California. Any litigation with respect to this Lease shall be conducted in the County of Los Angeles, State of California.

(h) Waivers. No waiver by Landlord or Tenant of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Landlord or Tenant of the same or any other provision. Landlord's or Tenant's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's or Tenant's consent to or approval of any subsequent act by Landlord or Tenant.

(i) Time of Essence. Time is of the essence for the performance of all of the obligations specified hereunder.

(j) Consent. Whenever any consent is required by Landlord or Tenant hereunder, such consent shall not be unreasonably withheld, conditioned or delayed and, unless otherwise specifically provided herein, shall be deemed granted if not refused within ten (10) days after written request is made therefore, together with all necessary information.

(k) Community Business Enterprises.

Landlord shall complete and deliver to Tenant concurrently with the execution hereof a Community Business Enterprises form set forth as Document III in the Supplemental Lease Documents delivered to Landlord concurrently herewith.

(l) Memorandum of Lease.

If requested by Tenant, Landlord and Tenant shall execute and acknowledge a Memorandum of Lease in the form of Document IV in the Supplemental Lease Documents delivered to Landlord concurrently herewith, which Memorandum may be recorded by Tenant in the Official Records of Los Angeles County.

31. AUTHORITY. Only the Board of Supervisors has the authority, by formally approving and/or executing this Lease, to bind the County to the terms included herein. Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms. Landlord understands that no material terms of this Lease may be altered or deleted, nor may any new material terms be added to this Lease, without the express written approval of the Board of Supervisors, either through an amendment to the Lease or by other formal board action. No County officer, employee, agent or independent contractor has any authority to alter, add or delete the material terms of this Lease and Landlord may not rely upon any representations to the contrary. This limitation of authority applies to all material terms of the Lease including, without limitation, any monetary ceiling established for Tenant Improvements or other project costs of Landlord which are subject to reimbursement by County. County shall not reimburse Landlord for any expenses which exceed this ceiling. Notwithstanding the foregoing, the Chief Executive Officer of the County or its delegate (the "Chief Executive Officer") may take any administrative act on behalf of Tenant hereunder which does not have the effect of increasing Basic Rent or other financial obligations of Tenant under this Lease, including without limitation, granting any approvals, terminating this Lease in the manner provided herein by an Early Termination Notice or otherwise, signing estoppel certificates, signing the Commencement Date Memorandum and Confirmation of Lease Terms or subordinating this Lease. Each individual executing this Lease on behalf of Landlord represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Landlord, and that this Lease is binding upon Landlord in accordance with its terms.

32. ACKNOWLEDGEMENT BY LANDLORD

Landlord acknowledges that it is aware of the following provisions:

(a) Consideration of GAIN Program Participants. Should Landlord require additional or replacement personnel after the effective date of this Lease, Landlord shall give consideration for any such employment, openings to participants in the County Department of Public Social Services' Greater Avenues for Independence

("GAIN") Program who meet Landlord's minimum qualifications for the open position. The County will refer GAIN participants by job category to Landlord.

(b) Solicitation of Consideration. It is improper for any County officer, employee or agent to solicit consideration in any form from a landlord with the implication, suggestion or statement that the landlord's provision of the consideration may secure more favorable treatment for the landlord in the award of the Lease or that landlord's failure to provide such consideration may negatively affect the County's consideration of the landlord's offer to lease. A landlord shall not offer or give, either directly or through an intermediary, consideration in any form to a County officer, employee or agent for the purpose of securing favorable treatment with respect to the award of the Lease.

Landlord shall immediately report any attempt by a County officer, employee or agent to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861. Failure to report such solicitation may result in the landlord's submission being eliminated from consideration.

(c) Landlord Assignment.

(i) Landlord may assign, transfer, mortgage, hypothecate or encumber Landlord's right, title and interest in and to this Lease or any portion thereof (including the right to receive rental payments but excluding its duties and obligations hereunder), and Landlord may execute any and all instruments providing for the payment of Basic Rent directly to an assignee or transferee, but only if the conditions set forth in this Section are met.

(ii) Any document or agreement purporting to assign, transfer, mortgage, hypothecate or encumber Landlord's right, title and interest in and to this Lease or any portion thereof, is hereinafter referred to as a "Security Agreement." Any Security Agreement which is executed without full compliance with the requirements of this Section shall be void.

(iii) Each assignee or transferee under the Security Agreement shall certify and agree in writing that such assignee or transferee has read and is familiar with the requirements of Sections 5950-5955 of the California Government Code, which prohibits the offer or sale of any security constituting a fractional interest in this Lease or any portion thereof, without the prior written consent of the County. Notwithstanding the foregoing, the County hereby acknowledges and agrees that Landlord shall have the right to encumber the Property with CMBS (collateralized mortgage backed securities) financing or other traditional real estate financing. However, Landlord may not encumber the Property through any type of bond financing vehicle, including, but not limited to certificate of participation financing.

(iv) Violation by Landlord of the provisions of Section 5951 of the California Government Code will constitute a material breach of this Lease, upon which the County may impose damages in an amount equal to the greater of (a) \$500,000 or (b) 10% of the aggregate principal portion of all rental payments payable by the County during the entire Term of this Lease, it being expressly agreed that the aforesaid amount shall be imposed as liquidated damages, and not as a forfeiture or penalty. It is further specifically agreed that the aforesaid amount is presumed to be the amount of damages sustained by reason of any such violation, because from the circumstances and nature of the violation it would be impracticable and extremely difficult to fix actual damages. In addition, the County may exercise or pursue any other right or remedy it may have under this Lease or applicable law.

(v) Landlord shall give the County notice and a copy of each Security Agreement and any other instrument relating thereto (including, but not limited to, instruments providing for the payment of Basic Rent directly to an assignee or transferee) at least two weeks prior to the effective date thereof.

(vi) Landlord shall not furnish any information concerning County or the subject matter of this Lease (including, but not limited to, offering memoranda, financial statements, economic and demographic information, and legal opinions rendered by the office of counsel for the County) to any person or entity, except with County's prior written consent. Landlord shall indemnify, defend and hold County and its officers, agents and employees harmless from and against all claims and liability alleged to arise from the inaccuracy or incompleteness of any information furnished by Landlord in violation of this Section.

(vii) The provisions of this Section shall be binding upon and applicable to the parties hereto and their respective successors and assigns. Whenever in this Section Landlord is referred to, such reference shall be deemed to include Landlord's successors or assigns, and all covenants and agreements by or on behalf of Landlord herein shall bind and apply to Landlord's successors and assigns whether so expressed or not.

33. IRREVOCABLE OFFER. In consideration for the time and expense that Tenant will invest, including, but not limited to, preliminary space planning, legal review, and preparation and noticing for presentation to the Tenant Real Estate Management Commission of Los Angeles County in reliance on Landlord's agreement to lease the Premises to Tenant under the terms of this Lease, Landlord irrevocably offers to enter into this Lease and not to revoke this offer until the Irrevocable Offer Expiration Date, as defined in Section 1.

34. OPTION TO EXTEND

(a) Terms of Option. Provided that no material default has occurred and is continuing under the Lease at the time the option is exercised, Tenant shall have one option to renew this Lease for an additional period of three years (the "Extension Term").

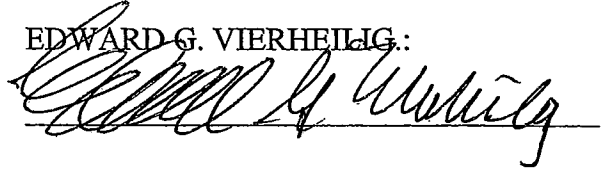
(b) Exercise of Option. Tenant must exercise its option to extend this Lease by giving Landlord written notice of its intent to do so by Chief Executive Office letter no later than 90 days prior to the end of the initial Term. The actual exercise of the option shall be only by the Board of Supervisors of the County of Los Angeles.

(c) Terms and Conditions of Extension Term. The Extension Term shall be on all the terms and conditions of this Lease, except that Basic Rent for the Extension Term shall be the rate in effect during the last year of the original Lease term increased by three percent (3.5%), and upon each anniversary date of the commencement of the Extension Term the rent then in effect will increase by three percent (3.5%) for the remainder of the Extension Term.

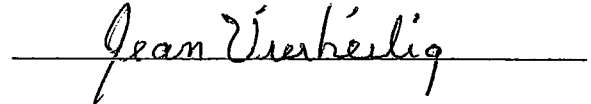
IN WITNESS WHEREOF this Lease has been executed the day and year first
above set forth.

LANDLORD:

EDWARD G. VIERHEILIG:



JEAN A. VIERHEILIG:



TENANT:

COUNTY OF LOS ANGELES
a body politic and corporate

By: _____

Name: _____

Chairman, Board of Supervisors

ATTEST:

Sachi A. Hamai
Executive Officer-Clerk
of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:
Raymond G. Fortner, Jr.
County Counsel

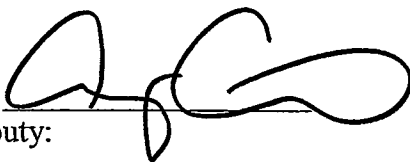
By: 
Deputy:

EXHIBIT A
FLOOR PLAN OF PREMISES

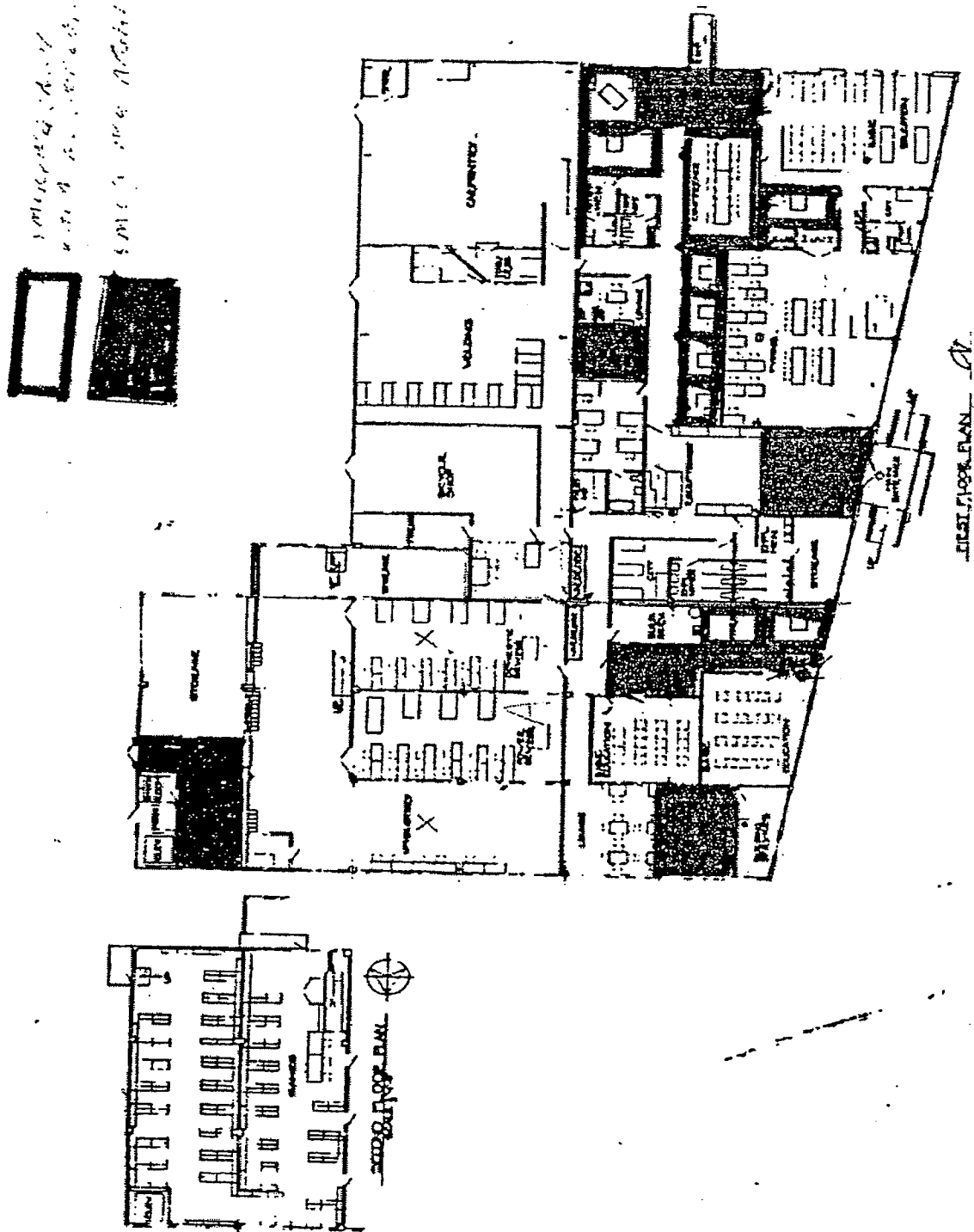


EXHIBIT B

LEGAL DESCRIPTION OF PROPERTY

A PARCEL OF LAND LOCATED IN THE STATE OF CALIFORNIA, COUNTY OF LOS ANGELES, WITH A SITUS ADDRESS OF 2200 HUMBOLDT ST, LOS ANGELES CA 90031-1719 CURRENTLY OWNED BY VIERHEILIG JEAN A & VIERHEILIG E HAVING A TAX ASSESSOR NUMBER OF 5447-012-017 AND BEING THE SAME PROPERTY MORE FULLY DESCRIBED AS TRACT NO 17505 LOT COM AT MOST N COR OF LOT 1 TH SE ON NE LINE OF SD LOT 513.61 FT TH N 28 21'54" W 174.62 FT TH N 28 21'54" W 174.62 FT TH N 73 57'06" W 43.83 FT TH N 27 33' W TO AND DESCRIBED IN DOCUMENT NUMBER 272619 DATED 01/24/2002 AND RECORDED 02/04/2002.

EXHIBIT C

COMMENCEMENT DATE MEMORANDUM
AND CONFIRMATION OF LEASE TERMS

Reference is made to that certain lease ("Lease") dated _____, 200_, between County of Los Angeles, a body politic and corporate ("Tenant"), and Edward G. Vierheilig and Jean A. Vierheilig ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain premises in the building located at 2200 North Humboldt Street, Los Angeles ("Premises"),

Landlord and Tenant hereby acknowledge as follows:

- (1) Landlord delivered possession of the Premises to Tenant in a Substantially Complete condition on _____ ("Possession Date");
- (2) Tenant has accepted possession of the Premises and now occupies the same;
- (3) The Lease commenced on _____ ("Commencement Date");
- (4) The Premises contain 23,655 rentable square feet of space; and
- (5) Basic Rent Per Month is \$8,752.35.

IN WITNESS WHEREOF, this Memorandum is executed this ____ day of _____, 200_.

"Tenant"

COUNTY OF LOS ANGELES,
a body politic and corporate

By: _____
Name: _____
Its: _____

"Landlord"

EDWARD G. VIERHEILIG



JEAN A. VIERHEILIG

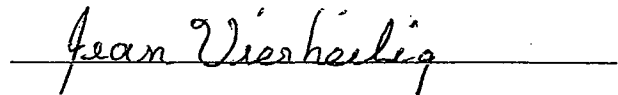


EXHIBIT D

HVAC STANDARDS

Landlord shall supply cooling, ventilating and heating with capacity to produce the following results effective during Normal Working Hours established by the Lease and within tolerances normal in comparable office buildings; maintenance of inside space conditions of not greater than 78 degrees Fahrenheit when the outside air temperature is not more than 93 degrees Fahrenheit dry bulb and 70 degrees Fahrenheit wet bulb, and not less than 70 degrees Fahrenheit when the outside air temperature is not lower than 42 degrees Fahrenheit dry bulb. Interior space is designated at a rate of one zone for approximately each 1,000 square feet and one diffuser for each 200 square feet of usable square footage within the Premises. If energy requirements prohibit Landlord from complying with these requirements, Tenant shall not unreasonably withhold its consent to temporary waivers or modifications.